

**MINUTES OF THE  
REVENUE AND TAXATION INTERIM COMMITTEE**  
Wednesday, October 21, 2009 – 2:00 p.m. – Room 445 State Capitol

**Members Present:**

Sen. J. Stuart Adams, Senate Chair  
Rep. Todd E. Kiser, House Chair  
Sen. Curtis S. Bramble  
Sen. Ross I. Romero  
Sen. Howard A. Stephenson  
Sen. John L. Valentine  
Rep. Tim M. Cosgrove  
Rep. John Dougall  
Rep. Gage Froerer  
Rep. Francis D. Gibson  
Rep. Wayne A. Harper  
Rep. Christine A. Johnson  
Rep. Carol Spackman Moss  
Rep. Evan J. Vickers  
Rep. R. Curt Webb

**Members Absent:**

Sen. Wayne L. Niederhauser  
Rep. Susan Duckworth  
Rep. Kevin S. Garn  
Rep. Gregory H. Hughes  
Rep. Stephen E. Sandstrom

**Staff Present:**

Mr. Phillip V. Dean, Policy Analyst  
Mr. Bryant R. Howe, Assistant Director  
Mr. Robert H. Rees, Associate General Counsel  
Ms. Rebecca L. Rockwell, Associate General Counsel  
Ms. Wendy L. Bangerter, Legislative Secretary

**Note:** A list of others present, a copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Committee Business**

Chair Kiser called the meeting to order at 2:22 p.m. He introduced Sen. Adams as the new Senate Chair for the Committee. Chair Kiser turned the chair to Sen. Adams.

**MOTION:** Rep. Froerer moved to approve the minutes of the September 16, 2009 meeting. The motion passed unanimously with Sen. Valentine and Rep. Dougall absent for the vote.

Chair Adams referred the Committee to the following reports required by statute to be submitted to the Committee: "Low-income Housing State Tax Credit Summary," submitted by the Utah Housing Corporation; "Governor's Office of Economic Development Annual Report 2009," submitted by the Governor's Office of Economic Development; and "County Assessor's Database," submitted by the Utah State Tax Commission (Tax Commission).

Mr. Dean distributed and discussed "Revenue Summary - Three Months FY 2009-10."

Mr. Jonathan Ball, Legislative Fiscal Analyst, commented on revenue collections for the first quarter. He distributed and discussed "Expenditure and Revenue Ledger (EARL)" and reviewed the benefits of using EARL to achieve a more accurate account of both expenditures and projected revenues.

**2. Working Groups - Initial Reports**

Rep. Froerer reported on the Property Tax Working Group. He said the group anticipates draft legislation for the November meeting.

Ms. Rockwell explained the efforts and draft legislation for the Local Option Transportation Sales and Use Tax Working Group. She announced the next meeting will be November 2, 2009.

Sen. Stephenson reported on the Tax Penalties and Tax Credit Apportionment Working Group. He explained the two areas of focus are to: (1) address penalties, and (2) establish estimated tax payments for individuals' estates and trusts under certain circumstances.

### **3. Sales and Use Tax Definition of Tangible Personal Property**

Sen. Lyle Hillyard discussed 2010 General Session draft legislation, "Sales and Use Tax Definition of Tangible Personal Property."

Commissioner Bruce Johnson, Tax Commission and member of the Utah Tax Review Commission (TRC), discussed the definition of tangible personal property and real property and who pays the sales and use tax on carpet.

**MOTION:** Sen. Stephenson moved to adopt 2010 General Session draft legislation, "Sales and Use Tax Definition of Tangible Personal Property," as a committee bill. The motion passed unanimously with Sen. Romero, Sen. Valentine, Rep. Dougall, Rep. Johnson, Rep. Moss, and Rep. Vickers absent for the vote.

### **4. Local Health Authority Funding**

Sen. Dennis Stowell distributed and discussed "Notice of Property Valuation and Tax Changes." He also discussed 2010 General Session draft legislation, "Local Health Authority Funding Amendments."

Mr. Steve White, Utah County Commission, expressed concern about earmarking funds for a specific use when those funds might be needed elsewhere in some years.

Sen. Stowell stated that the draft legislation gives the county commission flexibility to set the dedicated mill levy and helps the local health departments. He stated that it makes property tax revenues the local health departments are receiving transparent to taxpayers.

Mr. David Blodgett, Director, South West Utah Health Department, spoke in favor of the draft legislation and emphasized how it would significantly help funding for the county health departments.

Mr. Royce Van Tassell, Vice President, Utah Taxpayers Association, spoke in opposition to the legislation.

Mr. Arie Van De Graaff, Utah Association of Counties (UAC), said that UAC supported the draft legislation last year, but has taken no position this year. He indicated that the draft legislation will be discussed at UAC's next meeting.

Mr. Gerald Hasty, citizen, Davis County, expressed his desire for local control of funds.

**MOTION:** Rep. Vickers moved to adopt 2010 General Session draft legislation, "Local Health Authority Funding Amendments," as a committee bill. The motion failed with Rep. Cosgrove, Rep. Froerer, Rep. Moss, and Rep. Vickers voting in favor. Rep. Dougall and Rep. Johnson were absent for the vote.

### **5. Utah Tax Review Commission (TRC) Report**

Mr. M. Keith Prescott, Chair, TRC, discussed 2010 General Session draft legislation, "Corporate Franchise and Income Tax Amendments." He noted the draft legislation had unanimous support from the TRC.

Ms. Rockwell explained the draft legislation.

**MOTION:** Rep. Harper moved to adopt 2010 General Session draft legislation, "Corporate Franchise and Income Tax Amendments," as a committee bill. The motion passed unanimously with Sen. Bramble, Rep. Dougall, and Rep. Johnson absent for the vote.

Mr. David Crapo, Vice Chair, TRC, discussed a letter to the chairs of the Revenue and Taxation Interim Committee regarding state excise taxes on cigarettes and other tobacco products.

Mr. Prescott discussed a letter to the chairs of the Revenue and Taxation Interim Committee regarding the apportionment of business income under the state corporate and franchise income taxes.

Commissioner Johnson discussed "Sales and Use Tax Study" and "Report of the Sales and Use Tax Working Group."

## **6. Individual Income Tax - Checkoff Contributions**

Sen. Karen Mayne distributed and discussed a folder of information titled "Habitat for Humanity." She also discussed 2010 General Session draft legislation, "Individual Income Tax Contribution for Methamphetamine Housing Reconstruction and Rehabilitation Fund."

Rep. Jennifer Seelig and Sen. Bramble addressed the bill and spoke in favor of the draft legislation.

Mr. Jeff Fillmore, Board President, Salt Lake Valley Habitat for Humanity, spoke in favor of the draft legislation. He explained the positive impact it would have.

Mr. Stephen Tagliaferri, Executive Director, Salt Lake Valley Habitat for Humanity, spoke in favor of the draft legislation and emphasized its impact on families and communities. He stated that the draft legislation would allow organizations like Habitat for Humanity to take action and clean up methamphetamine contaminated houses.

**MOTION:** Sen. Bramble moved to adopt 2010 General Session draft legislation, "Individual Income Tax Contribution for Methamphetamine Housing Reconstruction and Rehabilitation Fund," as a committee bill. The motion passed unanimously with Sen. Valentine, Rep. Dougall, and Rep. Johnson absent for the vote.

## **7. Brine Shrimp Royalty Act**

Mr. Dean discussed 2010 General Session draft legislation, "Brine Shrimp Royalty Act Amendments."

Mr. Don Leonard, Utah Artemia Association, stated that since the proposed legislation makes no significant changes to the brine shrimp industry, he is willing to support it as long as the new changes won't become a vehicle for adding any additional costs to the industry.

**MOTION:** Rep. Kiser moved to adopt 2010 General Session draft legislation, "Brine Shrimp Royalty Act Amendments," as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Valentine, Rep. Dougall, and Rep. Harper absent for the vote.

## **8. Individual Income Tax - Definition of Resident Individual**

Commissioner Johnson discussed 2010 General Session draft legislation, "Amendments to Individual Income Tax Definition of Residential Individual."

Sen. Bramble raised an issue with language in existing statute. He asked that the issue be addressed and the bill be brought back to the Committee.

## **9. Individual Income Tax - Return Filing Requirements**

Commissioner Johnson discussed 2010 General Session draft legislation, "Amendments to Individual Income Tax Return Filing Requirements." He said that scan technology requires returns to be handled as paper returns and indicated the bill would eliminate a requirement that certain tax preparers file returns using scan technology and instead require only electronic filing for these return preparers. He noted that this will allow staff more time to respond to individuals filing by paper return.

**MOTION:** Sen. Bramble moved to adopt 2010 General Session draft legislation, "Amendments to Individual Income Tax Return Filing Requirements," as a committee bill. The motion passed unanimously with Sen. Valentine, Rep. Dougall, and Rep. Harper absent for the vote.

## **10. Sales and Use Tax Modifications**

Commissioner Johnson discussed 2010 General Session draft legislation, "Sales and Use Tax Modifications." He explained that the draft legislation addresses the question of how and where to tax prepaid phone cards. He discussed an amendment to the draft legislation, dated October 21, 2009 at 12:33 p.m.

**MOTION:** Sen. Adams moved to adopt the amendment to 2010 General Session draft legislation, "Sales and Use Tax Modifications." The motion passed unanimously with Sen. Valentine, Rep. Dougall, and Rep. Harper absent for the vote.

**MOTION:** Sen. Bramble moved to adopt 2010 General Session draft legislation, "Sales and Use Tax Modifications," as a committee bill. The motion passed unanimously with Sen. Valentine, Rep. Dougall, and Rep. Harper absent for the vote.

## **11. Tax Credits for Research Activities**

Ms. Rockwell discussed 2010 General Session draft legislation, "Amendments to Tax Credits for Research Activities Conducted in the State."

The Committee asked to receive further input from the public on the draft legislation.

## **12. Other Items / Adjourn**

**MOTION:** Sen. Bramble moved to adjourn the meeting. The motion passed unanimously with Sen. Valentine, Rep. Dougall, and Rep. Harper absent for the vote.

Chair Adams adjourned the meeting at 4:44 p.m.